

# GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

## GLASGOW CITY REGION CABINET REPORT

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**Title of the Audit:** Glasgow City Region City Deal – Review of Community Benefits Arrangements

### 1. Introduction

1.1 As part of the agreed Internal Audit plan we have carried out a review of the community benefits arrangements and processes in place in relation to the Glasgow City Region City Deal. Community Benefits are contractual requirements such as training, recruitment and sub-contracting opportunities, imposed by a contracting authority intended to improve the economic, social or environmental wellbeing of the authority's area in a way additional to the main purpose of the contract in which the requirement is included.

1.2 The purpose of the audit was to gain assurance that the Programme Management Office (PMO) ensures that member authorities identify community benefits in business cases and include clauses in their contracts to help achieve these, and that both member authorities and the PMO effectively record, monitor and measure the realisation of community benefits. Community Benefits have been a requirement of project procurement since the start of the programme. The scope of the audit included a review of:

- Policies and procedures relating to community benefits;
- Systems and documents used to record community benefits;
- Business cases for City Deal projects to ensure community benefits are a feature of these;
- Procurement exercises to ensure community benefit requirements are considered;

- The remit and outputs of the Procurement and Community Benefits support groups;
- Monitoring arrangements; and
- Reporting arrangements.

1.3 We selected a sample of contracts related to projects from across the City Deal Programme for review:

- Glasgow Airport Investment Area – Renfrewshire Council
- Greenhills Road – South Lanarkshire Council
- Canal and North Gateway (with review of M8 Pedestrian Bridge, 100 Acre Hill and Cowlares Bridge sub-projects) – Glasgow City Council

### 2. Audit Opinion

2.1 Based on the audit work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements and three recommendations which management should address

### 3. Main Findings

3.1 We are pleased to report that key controls are in place and generally operating effectively, including:

- The City Deal Sustainable Procurement Buyers Guidance

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clearly and comprehensively sets out the policies and procedures in place regarding Community Benefits;

- These policies and procedures have been agreed by and communicated to all Member Authorities;
- There is a Community Benefit Menu in place which provides guidance on the types of community benefits which can be included in contracts and the points values allocated to each of these;
- The Community Benefit Points Matrix provides a sound and consistent basis for determining the value of community benefit points required to be achieved by each contract,
- Each contract in the sample exceeded the minimum level of community benefits set out in the matrix;
- All project business cases are subject to review using a standardised appraisal template and community benefits is a feature of this appraisal;
- Community benefits have been adequately considered as part of the procurement process for the sample of projects reviewed and appropriate clauses relating to community benefits have been included in contracts between Member Authorities and suppliers;
- The Procurement and Community Benefits Support Groups recently merged, and the new group meets regularly. Community benefits is a regular feature of the agenda for discussion by member authority representatives;
- The PMO has procured a system (Cenefits) for use in the recording, monitoring and reporting of community benefits. Initially this was on a pilot basis but the PMO is

working towards implementing its use in the longer term; and

- Stakeholders are kept informed of the progress of the City Deal programme, including community benefits, via Quarterly Performance Reports.

3.2 However, we noted areas where there is scope for improvement, including:

- Not all Member Authorities utilise the Cenefits system which means they are not keeping the system up-to-date and are not providing the PMO with the required information through other methods.
- The usefulness of the PMO Quarterly Performance Report would be enhanced if the information currently reported was provided per each Member Authority.
- Failure to achieve community benefits is identified on the City Deal Programme risk register. However, at the time of the audit fieldwork, the cause of the risk potentially arising included in the risk register related to Covid-19 and lockdown resulting in closure of construction sites and schools which limits the possibility of delivering community benefits in these areas. Whilst Covid-19 and lockdown are legitimate threats to achievement of community benefits, the broader environment and other factors should also be considered.

3.3 An action plan is provided at section four outlining our observations, risks and recommendations. We have made three recommendations for improvement. The priority of each recommendation is:

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Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	1
Low	Lower level controls absent, not being operated as designed or could be improved.	2
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

- 3.4 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.5 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.6 It is recommended that the Head of Audit and Inspection submits a further report to Cabinet on the implementation of the actions contained in the attached Action Plan.

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	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> Adequate arrangements are in place to monitor progress in achieving community benefits against targets and action is taken to address issues with underperformance.				
1	<p>One Member Authority in the sample has not been providing the required information for monitoring and reporting of Community Benefits to the PMO as and when required.</p> <p>One Member Authority in the sample does not use the Cenefits system, offering the reason that it was initially brought in to use on a pilot basis for monitoring and reporting purposes. However work is underway by the PMO to continue its use in the longer term.</p> <p>This means that inaccurate and outdated information could be included in PMO monitoring reports submitted to the Chief Executives Group and Cabinet. Also, this could lead to community benefits not being achieved due to the lack of governance arrangements around them.</p>	The PMO must ask relevant senior officers with the Member Authority to utilise the Cenefits system by ensuring that all contracts and the community benefits associated with them are logged on the system in order to enable more effective and consistent monitoring, management and reporting of Community Benefits across the City Deal programme.	Medium	<p><b>Response:</b></p> <p>An issue (is_00 37) has been added to the Programme Issues Log highlighting that some MAs have not reported up to date contract information. The PMO has been engaging with the relevant MAs individually to address the reasons for this.</p> <p>The related actions (actions 4 &amp; 10) in the Annual Implementation Plan remains at red RAG status until the issue has been resolved.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Regional Partnership Manager</p> <p><b>Timescale for Implementation:</b></p> <p>Actions undertaken during Q4 2020/21 and ongoing until resolved.</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
2	<p>Failure to achieve community benefits is identified on the City Deal Programme risk register. However, the cause is detailed as "Covid-19 lock-down resulting in temporary closure of construction businesses and schools/colleges providing Community Benefit beneficiaries (e.g. apprentices, work experience candidates)".</p> <p>This inclusion within the risk register is appropriate. However, other factors which could lead to non-delivery of community benefits are not considered.</p>	Whilst Covid-19 and lockdown are legitimate threats to achievement of community benefits, additional threats should also be reflected on the Risk Register.	Low	<p><b>Response:</b> An additional risk (risk_0042) has been added to the Programme Risk Register for reporting period Q3 2020/21 to address this issue.</p> <p><b>Officer Responsible for Implementation:</b>  Regional Partnership Manager</p> <p><b>Timescale for Implementation:</b>  Implemented at Q3 2020/21 reporting period.</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> Relevant stakeholders receive regular reports on community benefits.				
3	<p>The PMO provides the City Deal Chief Executives' Group and Cabinet with Quarterly Performance Reports which include an update on community benefits.</p> <p>The information reported at present provides stakeholders with a useful overview of circumstances and progress in relation to community benefits for the region as a whole.</p> <p>However, information is not split and detailed by individual Member Authority which means that issues being encountered within a particular authority could be offset by good performance in other authorities and could therefore go undetected.</p> <p>Conversely, a Member Authority may be performing exceptionally well in terms of management and achievement of community benefits and this may not be identified and therefore best practice not shared across the Member Authorities.</p>	<p>The PMO should consider enhancing the PMO Quarterly Performance Report with community benefits information for each Member Authority. This could include for each Member Authority the number of each type of community benefit to be delivered, the number successfully delivered to date, the number of community benefits delayed and not delivered.</p>	Low	<p><b>Response:</b> The PMO will include a report within the quarterly reporting to Chief Executives' Group and Cabinet with community benefit KPIs broken down by MA.</p> <p><b>Officer Responsible for Implementation:</b>  Regional Partnership Manager</p> <p><b>Timescale for Implementation:</b>  From Q4 2020/21 reporting cycle onwards.</p>